

**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

AUDIT REPORT

For the Year Ended June 30, 2014





Dave Yost • Auditor of State

Board of Directors
GOAL Digital Academy Community School
890 W. Fourth Street, Suite 400
Mansfield, Ohio 44906

We have reviewed the *Independent Auditors' Report* of the GOAL Digital Academy Community School, Richland County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The GOAL Digital Academy Community School is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 17, 2015

This page intentionally left blank.

GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report	1-2
Management's Discussion and Analysis.....	3-6
Basic Financial Statements:	
Statement of Net Position	7
Statement of Revenues, Expenses and Changes in Net Position.....	8
Statement of Cash Flows	9
Notes to the Financial Statements	10-19
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	20-21
Schedule of Prior Audit Findings.....	22

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

GOAL Digital Academy Community School
Richland County
890 W. Fourth Street, Suite 400
Mansfield, Ohio 44906

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the GOAL Digital Academy Community School (School), Richland County, Ohio, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the GOAL Digital Academy Community School, Richland County as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

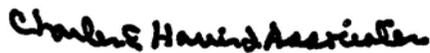
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2014, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



CHARLES E. HARRIS & ASSOCIATES, INC.
December 24, 2014

**THE GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The management's discussion and analysis of The GOAL Digital Academy Community School's (the "GDA") financial performance provides an overall review of the GDA's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the GDA's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the GDA's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- In total, net position was \$820,982 at June 30, 2014.
- The GDA had operating revenues of \$3,386,823 and operating expenses of \$3,287,627 for fiscal year 2014. The GDA's operating income and increase in net position for the fiscal year was \$99,196 and \$359,384, respectively.
- The GDA is the fiscal agent for the North East Jobs for Ohio's Graduates (JOG) program. Activities related the GDA's fiscal agent responsibilities for the JOG program have been reported as non-operating revenues and expenses in the GDA's financial statements.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the GDA's financial activities. The statement of net position and statement of revenues, expense and changes in net position provide information about the activities of the GDA, including all short-term and long-term financial resources and obligations.

Reporting the GDA Financial Activities

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2014?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the GDA's net position and changes in net position. This change in net position is important because it tells the reader that, for the GDA as a whole, the financial position of the GDA has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

**THE GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

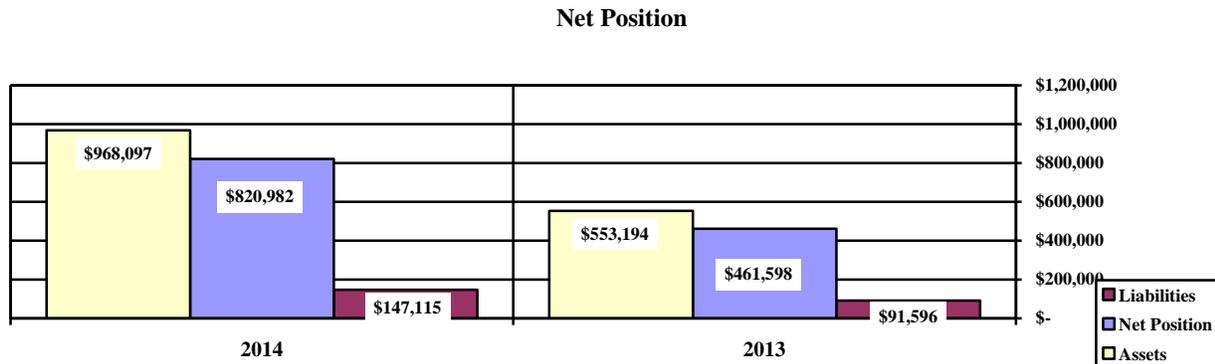
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The table below provides a summary of the GDA's net position for 2014 and 2013.

	2014	2013
<u>Assets</u>		
Current assets	\$ 907,292	\$ 440,683
Capital assets, net	60,805	112,511
Total assets	968,097	553,194
<u>Liabilities</u>		
Current liabilities	147,115	91,596
Total liabilities	147,115	91,596
<u>Net position</u>		
Net investment in capital assets	60,805	112,511
Restricted	6,507	4,000
Unrestricted	753,670	345,087
Total net position	\$ 820,982	\$ 461,598

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the GDA's net position totaled \$820,982, a 77.86% increase from fiscal year 2013. The increase in net position is partially due to an increase in State foundation revenues and also an increase in charges for services, which were used in operations during fiscal year 2014. State foundation increased \$198,642 from the prior year. Charges for services were used during fiscal year 2014 to account for costs associated with shared services provided to Tri-Rivers Career Center.

At year-end, capital assets represented 6.28% of total assets. Capital assets consisted of furniture and equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending. The table below provides a summary of the GDA's net position, liabilities and assets for 2014 and 2013.



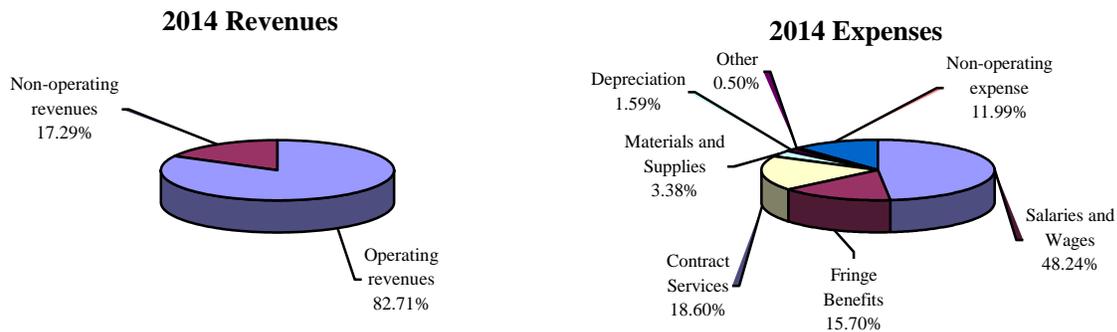
**THE GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The table below shows the changes in net position for fiscal year 2014 and 2013:

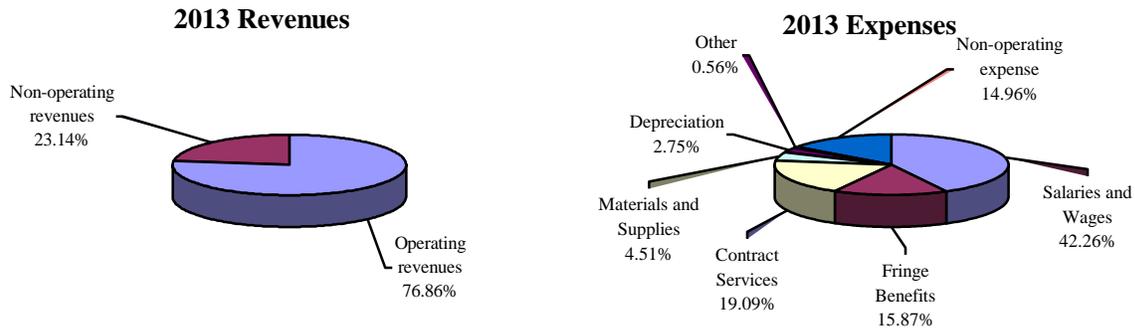
	Change in Net Position	
	<u>2014</u>	<u>2013</u>
<u>Operating revenues:</u>		
State foundation	\$ 2,441,345	\$ 2,242,703
Charges for services	881,886	-
Other	<u>63,592</u>	<u>141,213</u>
Total operating revenue	<u>3,386,823</u>	<u>2,383,916</u>
<u>Operating expenses:</u>		
Salaries and wages	1,802,270	1,332,345
Fringe benefits	586,565	500,065
Contract services	694,611	601,762
Materials and supplies	126,260	142,144
Depreciation	59,243	86,766
Other	<u>18,678</u>	<u>17,720</u>
Total operating expenses	<u>3,287,627</u>	<u>2,680,802</u>
<u>Non-operating revenues (expenses):</u>		
State and federal grants	250,171	333,690
Interest income	59	31
Fiscal agent activities:		
JOG program revenues	457,687	383,824
JOG program expenses	<u>(447,729)</u>	<u>(471,750)</u>
Total non-operating revenues (expenses)	<u>260,188</u>	<u>245,795</u>
Change in net position	359,384	(51,091)
Net position at beginning of year	<u>461,598</u>	<u>512,689</u>
Net position at end of year	<u>\$ 820,982</u>	<u>\$ 461,598</u>

The charts below illustrate the revenues and expenses for the GDA during fiscal years 2014 and 2013:



**THE GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**



Capital Assets

At June 30, 2014, the GDA had \$60,805 invested in furniture and equipment. See Note 6 to the basic financial statements for more detail on capital assets.

Current Financial Related Activities

The GOAL Digital Academy (GDA) is a conversion community E-School sponsored by Mid-Ohio Educational Service Center. This sponsorship was renewed and runs from July 1, 2012 through June 30, 2016.

GDA operates under less restrictive guidelines than a traditional “brick and mortar” school; and thus, is capable of providing their curriculum/education in a more cost-effective manner. Also, unlike traditional schools, a community school cannot levy any taxes and must survive on State revenues and donations. At this time GDA relies solely on State funding for their resources. That being stated, GDA is continually looking for more efficient and effective ways to educate children in order to balance the five year forecast. No additional resources outside of State funds are projection in the upcoming five-years.

GOAL Digital Academy is committed to operating within its financial means, and to working with the local community and agencies it serves to provide the required educational programs for its students.

Contacting the GDA Treasurer

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of GDA’s finances and to show GDA’s accountability for the resources it receives. If you have any questions, or concerns, about this report or need additional financial information, contact Steve Earnest, Treasurer, at GOAL Digital Academy, 890 West Fourth Street, Suite 400, Mansfield, Ohio 44906.

BASIC
FINANCIAL STATEMENTS

**THE GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2014

Assets:	
Current assets:	
Cash and cash equivalents	\$ 816,517
Receivables:	
Accounts	680
Intergovernmental	88,301
Prepayments	<u>1,794</u>
Total current assets	907,292
Non-current assets:	
Capital assets, net	<u>60,805</u>
Total non-current assets.	<u>60,805</u>
Total assets.	<u>968,097</u>
 Liabilities:	
Current liabilities:	
Accounts payable.	10,917
Accrued wages and benefits	116,125
Pension obligation payable.	6,320
Due to other governments	<u>13,753</u>
Total liabilities	<u>147,115</u>
 Net position:	
Net investment in capital assets.	60,805
Restricted for:	
State funded programs.	4,000
Federally funded programs	2,507
Unrestricted.	<u>753,670</u>
Total net position.	<u>\$ 820,982</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**THE GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Operating revenues:	
State foundation	\$ 2,441,345
Charges for services	881,886
Other	63,592
Total operating revenues	<u>3,386,823</u>
Operating expenses:	
Salaries and wages.	1,802,270
Fringe benefits.	586,565
Contract services	694,611
Materials and supplies	126,260
Depreciation	59,243
Other.	18,678
Total operating expenses.	<u>3,287,627</u>
Operating income.	<u>99,196</u>
Non-operating revenues (expenses):	
State and federal grants.	250,171
Interest income	59
Fiscal agent activities:	
JOG program revenues	457,687
JOG program expenses	<u>(447,729)</u>
Total non-operating revenues (expenses)	<u>260,188</u>
Change in net position	359,384
Net position at beginning of year.	<u>461,598</u>
Net position at end of year	<u><u>\$ 820,982</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**THE GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Cash flows from operating activities:	
Cash received from State foundation	\$ 2,444,757
Cash received from charges for services	881,886
Cash received from other operations	71,268
Cash payments for personal services	(2,341,111)
Cash payments for contractual services	(687,258)
Cash payments for materials and supplies	(126,260)
Cash payments for other expenses	(18,839)
	<hr/>
Net cash provided by operating activities	224,443
	<hr/>
Cash flows from noncapital financing activities:	
Cash received from State and federal grants	310,776
Fiscal agent activities:	
Cash received from JOG program	402,476
Cash used in payments for JOG program	(447,729)
	<hr/>
Net cash provided by noncapital financing activities	265,523
	<hr/>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(7,537)
	<hr/>
Net cash used in capital and related financing activities	(7,537)
	<hr/>
Cash flows from investing activities:	
Interest received	59
	<hr/>
Net cash provided by investing activities	59
	<hr/>
Net increase in cash and cash equivalents	482,488
Cash and cash equivalents at beginning of year	334,029
Cash and cash equivalents at end of year	\$ 816,517
	<hr/> <hr/>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 99,196
Adjustments:	
Depreciation	59,243
Changes in assets and liabilities:	
Increase in accounts receivable	(680)
Decrease in intergovernmental receivable	11,326
Increase in prepayments	(161)
Increase in accounts payable	6,767
Increase in accrued wages and benefits	39,741
Increase in intergovernmental payable	6,475
Increase in pension obligation payable	2,536
	<hr/>
Net cash provided by operating activities	\$ 224,443
	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 - DESCRIPTION OF THE SCHOOL

GOAL Digital Academy Community School (“GDA”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. GDA is an approved tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect their tax exempt status. GDA’s objective is to deliver a comprehensive educational program of high quality, tied to State and national standards, which can be delivered to students in the K - 12 population entirely through distance learning technologies. It is to be operated in cooperation with the Mid-Ohio Educational Service Center (the “Mid-Ohio ESC”) to provide an innovative and cost-effective solution to the special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses which are not available locally, and other, including home-schooled students who are not currently enrolled in any public school and who are not receiving a meaningful, comprehensive, and standards-based educational program. GDA, which is part of the State’s education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. GDA may acquire facilities as needed and contract for any services necessary for the operation of the school.

GDA was certified by the State of Ohio Secretary of State as a non-profit organization on April 23, 2002. GDA was approved for operation under a contract with Mount Gilead Exempted Village School District for a five year period commencing September 4, 2002. Sponsorship was subsequently transferred to Mid-Ohio ESC on July 1, 2007 for a five year period. The Sponsorship agreement was renewed through June 30, 2016. Mid-Ohio ESC is responsible for evaluating the performance of GDA and has the authority to deny renewal of the contract at its expiration.

GDA operates under the direction of the Treasurer and a five-member Board of Directors. The Board of Directors consists of five appointed members who represent a cross-section of the community and have been selected for their expertise in assisting GDA to achieve its mission and purposes. The GDA Treasurer shall be a non-voting ex officio member of GDA’s Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of GDA have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GDA's significant accounting policies are described below.

**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises and focuses on the determination of operating income, changes in net position, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources are included on the balance sheet. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows reflects how GDA finances and meets its cash flow needs. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the School's contract with its sponsor. The contract between GDA and Mid-Ohio ESC requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Chapter 5705.

D. Cash

All monies received by GDA are deposited in a demand deposit account. For purposes of the statement of cash flows and for presentation on the statement of net position, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the GDA are presented on the financial statements as cash equivalents. The GDA did not have any investments during fiscal year 2014.

E. Capital Assets and Depreciation

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. GDA maintains a capitalization threshold of \$500 for non-technical and non-audiovisual equipment and \$200 for technical and audiovisual equipment. GDA does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method. Equipment is depreciated over five to fifteen years.

**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of GDA. Operating expenses are necessary costs incurred to provide the service that is the primary activity of GDA. All revenues and expenses not meeting this definition are reported as non-operating.

G. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the GDA or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The GDA applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

H. Intergovernmental Revenue

GDA currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

Federal and State grants are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which GDA must provide local resources to be used for a specified purpose, and expense requirements, in which the resources are provided to GDA on a reimbursement basis.

GDA participates in various programs through the Ohio Department of Education. These include the Ohio Reads, Title I, IDEA Part B, Race to the Top, Improving Teacher Quality and other miscellaneous State and federal grants.

I. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amounts is recorded at the time of the payment by GDA and the expense is recorded when used. GDA has prepaid items for insurance of \$1,794 at June 30, 2014.

**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2014, the GDA has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the GDA.

NOTE 4 - DEPOSITS AND INVESTMENTS

Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all GDA deposits was \$816,517. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, none of GDA's bank balance of \$928,270 was exposed to custodial credit risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, GDA's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of GDA. GDA has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and are statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject GDA to a successful claim by the FDIC.

**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 5 - RECEIVABLES

Receivables at June 30, 2014, consisted of intergovernmental receivables arising from BWC reimbursements and North East Jobs for Ohio's Graduates program ("JOG") related revenues. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

Receivables	<u>Amount</u>
Intergovernmental:	
BWC reimbursement	\$ 90
JOG participants	<u>88,211</u>
Total receivables	<u>\$ 88,301</u>

NOTE 6 - CAPITAL ASSETS

A summary of capital assets at June 30, 2014 follows:

	<u>Balance</u> <u>6/30/13</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/14</u>
Furniture and equipment	\$ 740,471	\$ 7,537	\$ -	\$ 748,008
Less: accumulated depreciation	<u>(627,960)</u>	<u>(59,243)</u>	<u>-</u>	<u>(687,203)</u>
Net capital position	<u>\$ 112,511</u>	<u>\$ (51,706)</u>	<u>\$ -</u>	<u>\$ 60,805</u>

NOTE 7 - RISK MANAGEMENT

GDA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. GDA was named as an additional insured party on Mid-Ohio Educational Service Center, the Sponsor, insurance policy with Ohio Casualty Insurance Company for general liability insurance and property insurance from July 1, 2007 through December 9, 2008. On December 9, 2008, GDA began coverage under its own policy through the Ohio Casualty Company. GDA transfers the entire risk of loss, less any deductible, to the commercial carrier. The following limits and deductibles are in aggregate for GDA. The Ohio Casualty Insurance Company provides general liability coverage. The general liability coverage insures up to \$1,000,000 each occurrence with a \$2,000,000 annual aggregate with additional excess liability/commercial umbrella coverage up to \$2,000,000 each occurrence with a \$3,000,000 annual aggregate.

Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years and there has been no significant reduction in insurance coverage from the previous year.

The Ohio Casualty Insurance Company provides property, crime, and equipment breakdown insurance coverage. The property coverage insures up to a specific limit per location. Each location is insured to the value of property located at that location subject of a \$1,000 deductible; commercial crime covers up to \$25,000.

**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 8 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The GDA contributes to the GDA Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Employers/Audit Resources*".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the GDA is required to contribute at an actuarially determined rate. The current GDA rate is 14 percent of annual covered payroll. A portion of the GDA's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The GDA's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$130,597, \$95,812 and \$95,226, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

B. State Teachers Retirement System of Ohio

Plan Description - The GDA participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "*Publications*".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 8 - PENSION PLANS - (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The GDA was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The GDA's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$135,896, \$120,142 and \$118,221, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$4,270 made by the GDA and \$3,355 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Governing Board have elected Social Security. The GDA's liability is 6.2 percent of wages paid.

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. GDA Employees Retirement System

Plan Description - The GDA participates in two cost-sharing, multiple employer postemployment benefit plans administered by the GDA Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The GDA's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$5,180, \$7,039 and \$8,768, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The GDA's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$7,577, \$5,412 and \$5,624, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

B. State Teachers Retirement System of Ohio

Plan Description - The GDA contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The GDA's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$10,454, \$9,242 and \$9,094, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - CONTINGENCIES

A. Grants

The GDA received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of GDA at June 30, 2014.

B. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As a result of the review after fiscal year end, GDA owed \$3,412 to the Ohio Department of Education which is reflected on the basic financial statements as an intergovernmental payable.

C. Litigation

GDA is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

NOTE 11 - SERVICE CONTRACT

Mid-Ohio ESC and GDA entered into a service contract agreement. This agreement states that GDA may contract for various services from the Mid-Ohio ESC and reimburse the Board of Governors for these services. Mid-Ohio ESC agreed to provide the requested services and receive reimbursement from GDA pursuant to Ohio Revised Code Section 3317.11.

Mid-Ohio ESC's Board of Governors agreed to provide on an as-needed, or available basis, the following services for GDA:

1. Instructional services for all grade levels.
2. Collaboration for staff development programs for certified and non-certified staff.
3. Planning and consultative services for curriculum development.
4. Psychological services as needed for re-evaluations and initial multi-factored evaluations.
5. Fiscal services including payroll, retirement, and insurance.
6. Student services including E.M.I.S., Nursing, Speech, Guidance, and Therapy.
7. Classroom space and administrative services.
8. Custodial services.
9. Supervision/Director services.
10. Technology support.

Mid-Ohio ESC acts as the fiscal agent for the service agreement described above. As fiscal agent, the Board of Governors may enter into employment contracts with each certified teacher/administrator/aid whose services are to be shared with Mid-Ohio ESC. Other services may be provided based on mutual consent of both GDA and Mid-Ohio ESC.

**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 12 - CONTRACT SERVICES

Contract services include the following:

Professional and technical services	\$ 115,484
Property services	124,405
Travel mileage/meeting expense	34,972
Communications	131,546
Utilities	4,680
Tuition and other similar payments	3,789
Pupil transportation	5,285
Curriculum leasing	168,167
Other	<u>106,283</u>
Total	<u>\$ 694,611</u>

The above transactions are related party transactions since these services are purchased through the sponsor, Mid-Ohio ESC.

NOTE 13 - RELATED PARTY TRANSACTIONS

During 2012, GDA and Mid-Ohio ESC renewed their sponsorship agreement through June 30, 2016. In fiscal year 2014, payments were made by GDA to Mid-Ohio ESC totaling \$235,763 for services provided by Mid-Ohio ESC to GDA.

NOTE 14 - OPERATING LEASE AGREEMENT

GDA entered into a lease agreement for the period September 15, 2010 through June 30, 2012 with Mid-Ohio ESC for space to house GDA. On June 27, 2012, GDA renewed the lease for the period July 1, 2012 through June 30, 2016.

NOTE 15 - FISCAL AGENT ACTIVITIES

Effective August 1, 2010, the GDA became fiscal agent for the North East Jobs for Ohio's Graduates program (JOG). As fiscal agent, GDA processes all receipts and expenses of the JOG program. Revenues and expenses associated with the GDA's fiscal agent relationship for the JOG program have been recorded on GDA's financial statements as non-operating revenues and expenses. At June 30, 2014, a \$88,211 receivable has been recorded for services billed by the GDA as fiscal agent for JOG program, but not yet received from the participating school districts.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

GOAL Digital Academy Community School
Richland County
890 W. Fourth Street, Suite 400
Mansfield, Ohio 44906

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the GOAL Digital Academy Community School (School), Richland County, Ohio, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated December 24, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

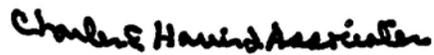
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Charles E. Harris" with "Associates" written below it in a smaller, less legible script.

CHARLES E. HARRIS & ASSOCIATES, INC.
December 24, 2014

**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014**

The prior audit, for the year ended June 30, 2013, reported no material citations or recommendations.



Dave Yost • Auditor of State

GOAL DIGITAL ACADEMY COMMUNITY SCHOOL

RICHLAND COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 3, 2015**